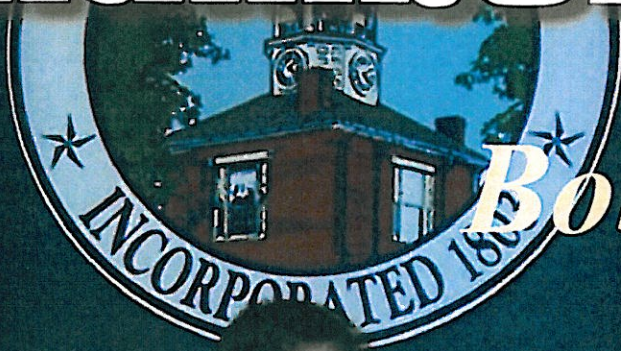


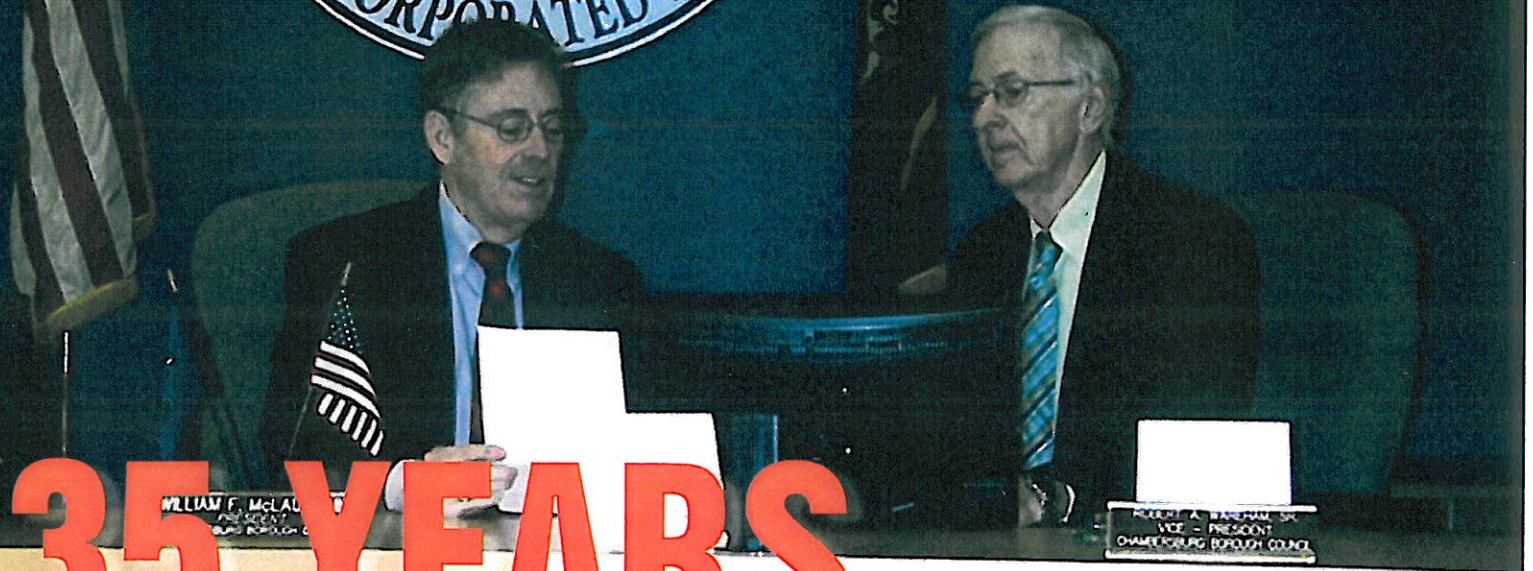
MARCH 2011

CHAMBERSBURG, PA

Borough of
Chambersburg



Bob Wareham



35 YEARS

of SERVICE

2010 ANNUAL REPORT - 2011 FORECAST

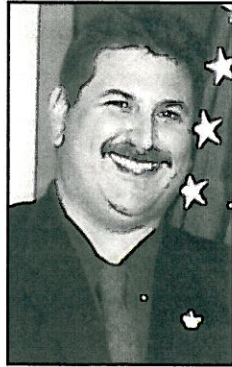
A Message From the Borough Manager

I have now had the opportunity and honor to serve as Town Council's advisor and the chief administrative officer of the community for more than a year. I would be remiss if I did not first thank the community for the truly genuine reception that my family and I received upon our relocation. Chambersburg is a special community, rich in history, institution, volunteerism and industry. We could not be happier to be a part of this town and its traditions.

Borough government is complex in Chambersburg. Larger in complexity than most cities, Chambersburg has a tradition of providing municipal services, public safety and cooperative utility service to our residents, businesses and some neighboring townships. The organization that I am privileged to lead is full of your friends, neighbors and relatives who serve this community with pride.

Chambersburg's finances have not been immune to the economic condition affecting boroughs, towns and cities throughout the nation. These are tough times, but if not for wise and conservative planning Chambersburg would find itself much worse off. This too is a tradition, to be progressive in our action, frugal in our spending of the public's money and respectful of our forefathers who planned for good times and bad in Chambersburg's future.

We have a very solid plan for 2011. In many ways, it is similar to 2010, which was a harsh year financially. We will use cash on hand, and transfers, to balance the budget without any additional revenue increases. We plan on no service reduction, a continued investment in infrastructure, and tough across-the-board



Jeffrey Stonehill

expenditure cuts. However, if 2011 does not show marked improvement in the local economy 2012 will be a tougher year. The planning for 2012 began in January 2011. Council has already directed staff to take a hard look and start planning for 2012 and beyond. In the end, we will weather the storm. Together, Town Council, volunteers and the community will evaluate the necessity of programs, the taxes, fees, and rates of our services, and the cuts we might be called upon to make if revenues do not return to levels of years past.

A large part of our problem rests with dwindling revenue from taxes that support our general (non-utility) operations. More information on the significant challenges we face in this area can be found in a report entitled "Following the Money" on Page 10 of this Annual Report.

Working Smarter

Even in this era of fiscal uncertainty, your Borough staff has been proactive in seeking ways to make better use of our people and our resources:

We have significantly and aggressively cut the use of outside consultants.

We have shown a desire to insist upon small or "CPI related" cost of living increases for wages moving forward for our unionized and administrative workforce.

We have requested and received contributions from some employees for health insurance and retirement expenses.

We are working towards a non-uniform (not police or fire) early retirement window in order to entice older higher-earning employees to leave the organization.

We have drawn a direct relationship between real estate taxes and public safety and therefore will reevaluate real estate tax needs as a proportion of this relationship going forward.

We have suggested an openness to examining staffing levels, departments, functions, and even services in the future.

We have taken steps to secure the fiscal stability of our utility enterprises now as their success, in great measure, assists in the success of our general government services.

On-going Initiatives

And, while money is tight, the following on-going initiatives will continue to have a positive impact on the community:

- Professional law enforcement and fire fighting
- Extensive street overlay projects
- Major Gas System and Water System improvements
- Major Water and Sewer projects
- Improvements in Geographic Information Systems and Information Technology.

So, as 2011 gets underway we face many challenges. Let me assure you that your Borough employees are already hard at work and determined to do whatever it takes to ensure that Chambersburg remains a wonderful place to live, work and raise our families.

Thanks.

Jeffrey Stonehill

Visit us online at www.borough.chambersburg.pa.us

Sewer Plant Plans Move Forward

Effort Considered Borough's Most Complex Project Ever

**By Bill McLaughlin
Town Council President**

Even as belts were tightened on the expense side, Borough staff and your elected officials moved forward on one of our most complicated and time-consuming issues - the upgrade and expansion of our sanitary sewer system.

Significant steps were taken in respect to our relationship with the Pennsylvania Department of Environmental Protection and our neighboring municipalities of Greene, Guilford and Hamilton townships. After a year of negotiations, Chambersburg entered into a Second Consent Order and Agreement with DEP establishing our responsibilities to install sewage meters, monitor rainwater inflow and develop a comprehensive plan to rehabilitate the sanitary sewer collection and distribution system. This Second Consent Order and Agreement places similar responsibilities on our municipal partners.

Other issues connected with our Municipal Sewage Treatment Plant dominated a large portion of the year. By using an innovative RFP process, intensive interviews and site tours, we were able to enter into an agreement with AECOM and ARRO Engineering to design the upgrades, improvements and expansion of the J. Hase Mowrey Regional Wastewater Treatment Facility. Through the use of state-of-the art technology and innovative design our new plant will bring us into compliance with the Chesapeake Bay Strategy with regard to nutrient discharge while

providing the region with adequate capacity for residential and economic development. The preliminary estimates for construction are being analyzed and modified as new data becomes available from the stormwater monitoring program. An integral part of the planning process for the treatment plant was the implementation of a new Intermunicipal Sewer Agreement between the Borough of Chambersburg and the townships, as well as their municipal authorities, for the planning, design and construction of the new sewage treatment plant. This project is probably the largest and most complex public works project in the history of Chambersburg. We have to be sure that it is designed correctly in order to prevent delays and expensive modifications in the future. Although the Intermunicipal Agreement was in the works for about 10 years, the majority of the work took place in 2010, and marks the greatest example of municipal cooperation in our history.

Unfortunately, there is still work to do on the Intermunicipal Interceptor Agreement that will govern the planning, design and construction of improvements to our sanitary collection and conveyance system. We look forward to signing an Interceptor Agreement with our municipal partners in 2011.

The Borough Manager, Solicitor, Acting Water and Sewer Superintendent Lance Anderson, Sewage Treatment Plant Manager Ron Kelly as well as Council Vice President Bob Wareham and myself will continue to remain active in the planning process as well as the entire array of DEP compliance issues. We will also be reopening the search for a new Water and Sewer System Manager. Hopefully, this process

will be concluded early this spring. In filling this critical position it is more important that we do it right rather than quickly.

Finally, let me echo Jeffrey Stonehill's assessment of the Borough's short-term financial picture. It is not bright.

Our day of reckoning is less than a year away and we could be faced with four equally unappetizing alternatives: Raise taxes; reduce services; sell assets; borrow and spend.

■ On the surface, the sale of assets may appear to be the easy way out, but once they are gone, there is no turning back.

■ The borrow and spend approach has brought our country to the brink of financial ruin. You cannot borrow money to finance current operations and pay it back later.

■ The reduction and consolidation of services is an option that must be explored. There is no organization that is immune to fat and inefficiency.

■ Tax increases will remain our last option. The Borough of Chambersburg has always practiced fiscal restraint, with only three property tax increases in the past 20 years. Unfortunately, some increases may be required to balance future budgets. Council and staff will be reviewing every department and program to determine where cost reductions can be made without deterioration of essential services. Some reductions may be painful but are necessary to restore and maintain the Borough's financial health.

On the Cover

Mr. McLaughlin is pictured with Bob Wareham, Vice President of Council, in the Council Chambers in Borough Hall. Mr. Wareham has announced that he will not seek reelection this year after 35 years of service to our community. Story on Page 5.

Emergency Services Leap Forward

Emergency Services Chief William FitzGerald reviewed 2010 progress and plans for 2011 in a conversation with Bill Pukmel, who prepared this report.



Chief FitzGerald

Chief: We promoted three people to Captain last year: Timothy Ebersole, Patrick Martin and Jacqueline Umberger. There is one Captain on duty each day, and it certainly assists me with managing the Department. Each Captain has a specialty: Captain Umberger is our Community Relations Officer; Captain Martin is our Safety/Risk Management Officer and Captain Ebersole is our Training Coordinator. Each of them received major assignments, whether it was a training manual, a policy and procedures manual, or a risk management manual to be completed by spring.

Also, over the past year, we've done a huge amount of renovations at McKinley Street with hopes of pursuing more of the project this year with grant assistance. Ultimately, my goal is to place our second ambulance in service twenty-four hours a day at McKinley Street Station. Right now it's only in service when we have available personnel, which is not that often. An ambulance serving that area is beneficial and crucial to the south side residents of the Borough of Chambersburg.

Haven't you done some work with the volunteers?

Chief: We have designed a training career path for the volunteers that sets a new and high standard. It provides clear direction that is advantageous for the volunteers and the Borough as a whole. Our active volunteer application process is very thorough and established criteria offers trustworthy and dedicated individuals. After all, I'm a public servant and I strive for volunteers who are equal or possibly better than the career firefighters on staff.

Is there anything else you'd like to talk about?

Chief: Well, we have a lot of good initiatives in the works. Standard Operating Procedures are near completion. The release of these guidelines is a step closer to obtaining one of my goals, i.e. to not only train my people but to train Franklin County. We need to be on the same page and do things the same way to provide a safer fire service operation.

We persist in advertising to recruit volunteers. We offer free housing to attract live-ins who in return can

help us from a volunteer perspective. This task is not an easy one; therefore, we strive to reach out to the community through a magnitude of fire prevention and fire safety events.

Tough times are evident everywhere and the budget is tight. Facility upgrades are done when funds allow. Staffing is one huge issue, but we are resourceful in pursuit of other avenues during this economic low. We definitely take the grant-writing process seriously in hopes of obtaining assistance.

We have aggressive fire prevention, safety, and inspection programs. As a result, fires are down in the Borough, but emergency medical responses are on the rise.

There was more hands-on training this year than in previous years. Several live burn scenarios at the Fire Training Center were a great success. This year we held an active role in the Junior Fire Academy, and our own Captain Umberger continues to pilot the Juvenile Fire Setter program.

2010 was a productive year, and we are actually busier now than we were last year at this time. I can speak for the entire staff of the Chambersburg Fire Department when I say we welcome change in hopes of providing better service and meeting the needs of the residents of the Borough of Chambersburg.



FIREFIGHTER HONORED - Assistant Fire Chief Norman Reitz, right, was honored by Borough Council recently for his actions Feb. 14 when he responded to a burning two-story duplex on Lincoln Way West. Chief Reitz ran into the house, rescued a 14-year-old girl, then ran back in and saved a woman who was trapped in an upstairs bathroom. At left in photo is Council President Bill McLaughlin who said Reitz truly fits the definition of a hero.

Bob Wareham to Retire After 35 Years on Council

Most observers would agree that much has been accomplished by Town Council in the past 35 years and Robert A. (Bob) Wareham Sr. has been in the thick of it as a major player representing the Fifth Ward and, for the past 20 years, as Council Vice President. Bob has decided not to seek a ninth term on council.

"Much of what Bob has done was behind the scenes, without a lot of fanfare," said Council President Bill McLaughlin. "He has been a quiet leader, but insightful and practical. His dedication and leadership will be missed when he retires. My respect for Bob is tremendous. Most of all, he is a friend."

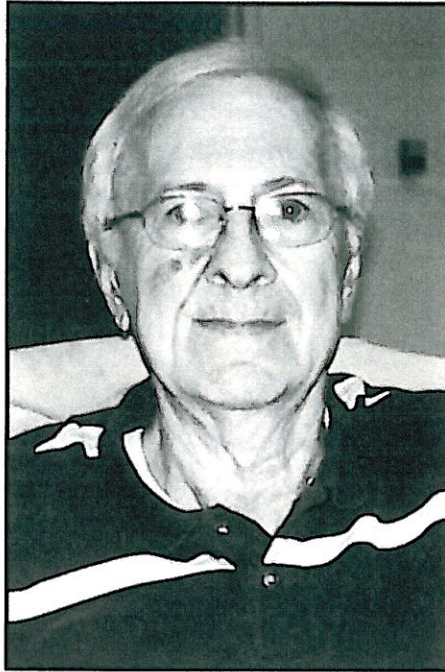
In a recent conversation, Bob reflected on the accomplishments of Town Council.

And the accomplishments have been many: The construction of a regional wastewater treatment plant and the Borough's electric generating plant; downtown revitalization; housing project for seniors and low income residents; development of Norland Avenue area into a major commercial and residential center; residential developments at Mill Creek Acres and Nicholson Square; Municipal Park and expanded recreation opportunities elsewhere in town.

And there is more.

Looking Forward

"Think about the business park at Orchard Drive and working with CADC to put in all the infrastructure," Bob says. "I know some of the adjacent town supervisors thought we were crazy but we did it anyway. And afterwards I said to them, 'Yeah, that's were all your people work now. They come into Chambersburg and they work at jobs that were created by our



Bob Wareham

foresightedness in putting in the infrastructure."

Another accomplishment that Bob views as an important step was the implementation of housing inspections of rental units.

"A lot of the landlords were upset about it but to get everyone in compliance sometimes good people get hurt along the way. Everybody knew what they should have been doing. Inspections are necessary for the health and safety of people who live in the Borough. Rentals make up about 50 percent of all the housing in the Borough."

The Councilman has also been a proponent of housing rehabilitation in Chambersburg.

"The big thing I've been pushing since I've been on Council is taking the CDBG (Community Development Block Grant) monies and now Home Grant money and applying it to housing rehab in the Borough," he says. "We've done that a lot over the years because the housing stock is old. Anything that we can do to help people

upgrade old homes is a plus for the Borough."

Bob also understood that it is sometimes better to do nothing, a position he took several years ago when some on council favored accepting an offer by Texas Eastern to buy the borough-owned Gas facility.

"I said it would be nice," he recalls. "Just think, we could take that money and we could do all of the roads in the Borough of Chambersburg. All the roads would be top-notch, up-to-date. But gradually they get bad. Now where's the money coming from? The Gas Department contributes money annually toward Borough operations. You've got to look at the long run and owning your own utilities helps keep the prices down for the citizens of the Borough and I think that's a big plus."

A Few Rough Spots

Not that there haven't been rough spots during Bob's long tenure. When asked if he ever considered packing it in, he answers in the affirmative.

"You know, you go home after a meeting and you want to tear your hair out by the roots and you're thinking what am I doing up there? Things just weren't going the right way, or so you thought. You're hitting some obstacles or you're getting negative feedback from various entities and you wonder whether it's all worth it. Then things turn around and you get that good feeling again and you say to yourself, hey, we did something good."

"You keep fighting the good fight and hope you'll get there. I look at what was here when I first started and what's here now and there has been an amazing transformation. I think the quality of life has improved vastly."

Bill Pukmel

Mayor, Chief Point to 'Attaboy' Efforts by Police, (

Mayor Pete Lagiovane and Police Chief David Arnold talked about plans and progress in a conversation with Bill Pukmel.

MAYOR - There are some things the police really deserve attaboys for. One is that we have an amazingly good record for catching DUI people at checkpoints and in general police just being on the lookout and stopping people for DUI – much more than many other towns.

CHIEF – Last year we had 135 DUIs in the Borough. We run one or two checkpoints but you generally don't get a lot at those, maybe two or three. Most of those were police officers just being aware and looking for that activity and, of course, some of those were the result of accidents.

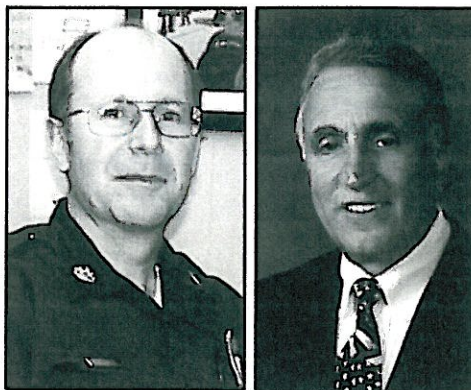
We had two officers in particular that each had 21 DUI arrests last year. The average in Pennsylvania is two or three DUI arrests per year.

And for our guys that wasn't their only activity. They were just extra-observant in the evenings when people who are over the limit are generally out.

So that's good work. How many people did they prevent from getting into an accident or – while anybody can make a mistake- some of them probably truly have some alcohol problems that they need to deal with. And our hope is that out of that DUI arrest they'll get themselves fixed.

MAYOR: Another example of terrific police work is the Chambersburg Police Department's role recently in uncovering a car-theft ring.

CHIEF: There was an article in the paper when arrests were made in February but you didn't get a sense



Chief Arnold

Mayor Lagiovane

from the story about the really fine work done here. We had some cars stolen from local auto dealers over a period of a couple of months. Our guys got to looking at it and said, hey, this is like an organization that's doing this. They chased it down and did a lot of work digging through papers and making a lot of connections. They had to get involved with a lot of police departments on the East Coast in a couple of states. On February 18, twelve vehicles were recovered in one day.

Now, that's a huge amount of money. Most of those vehicles that were stolen are probably worth \$30,000, \$40,000 and up. I'm telling you, the reason that happened was because of some good work that happened in the basement right below where the three of us are sitting. We may not be a huge department, but we've got good people and when they go to work on something lookout, something is probably going to happen and somebody is probably going to get locked up. That's the talent that we have here.

MAYOR: Another thing that kind of got lost involved the guy who is accused of killing his son. He was

sitting on his porch with a gun. And we talked him out of it. Nobody else got killed. Nobody else got hurt. That was another good job getting the guy to put the gun down and turn himself in. He didn't shoot himself or shoot at the police. It was good work.

Another program that we laid the ground work for last year and that we will be initiating this year is the Chaplains Program.

What does that entail?

MAYOR: I started by talking with (The Rev.) Bill Harter and Bill suggested we talk with Matt Richardson and Jeff Diller of the United Churches of Chambersburg. Matt Richardson grabbed it and ran with it. We prepared the paperwork and the manual based on a lot of information that Matt had dug up based on his experiences and talking to other people, such as chaplains in other areas. Also, the chief had some experiences in York.

We've now recruited six people – all ministers – who are being trained as we speak to be police chaplains and the goal is two-fold. One is to help the police to deal with issues the police might have in the course of their duties such as the accident on Wayne Avenue that resulted in a very gruesome scene. At the same time, when we see a domestic situation that's pretty tough, especially if we've been dealing with that family for generations, we can give them a card and invite them to contact one of the chaplains. Ideally the chaplain would bring together the resources of the religious organizations in town for that family Drug counseling, spousal abuse, help finding a job, financial assistance, day care, that kind of thing. That's the goal.

Community Outreach Programs

“We just want people to be extra eyes and ears. It’s about trying to maintain a nice quality of life.”

Chief Arnold on the Neighborhood Watch program

How is the Landlord Notification program going?

MAYOR: It’s been good.

CHIEF: I’ll have to check but I think we have approximately 75 notices that have gone out to notify landlords that there was some sort of an incident involving a tenant at the landlord’s property. I’ve had one landlord call me and give me a hard time about it. A few have said they are glad to know it, and by the fact that I’m not hearing from the others tells me that they’re glad to get the information. Sometimes these arrests happened at property owned by the landlords and they had no idea the incidents occurred. Overall, landlords are happy to receive the information from the Chambersburg Police Department concerning their tenants. We feel this information can help landlords maintain a good relationship between tenants and homeowners in the neighborhood.

On a related matter, you are making progress with the Neighborhood Watch program?

Mayor: Yes. We have about four neighborhood watches going now. The Chief, Officer Leshner and myself try to go to these meetings at night to encourage people. Let me say something about this program. The Borough issues some guidelines about people keeping an eye on their neighborhood and reporting things that are unusual, and the paper runs this editorial making it sound like we’re doing something nefarious. That’s the opposite of what we are trying to do. You have a Neighborhood Watch, you talk to people and you say “Hey, keep your eyes open. If you’re up late at night look out the window. If you see something that doesn’t look right, if you’re having trouble with your neighbor up the street throwing garbage in the street, let the appropriate department at the Borough know about it.”

So we’re getting them Neighborhood Watch signs for their windows and getting signs for the street. And we’re moving forward.

CHIEF: We support the concept of people getting involved in their community. All they have to do is report it to the Borough and the Borough official, whomever he happens to be, will look at the rules and laws and determine whether it is something that needs Borough attention. We just want people to be extra eyes and ears. It’s about trying to maintain a nice quality of life.

So, aside from the everyday police work, you are reaching out to the community with programs that don’t cost a lot of money.

CHIEF: It’s all about communication.

Mayor & Members of Town Council

Mayor

Peter R. Lagiovane
610 Wallace Avenue
(r) 264-8231
Mayor’s Office 261-3243

Members of Council

First Ward

William F. McLaughlin
President of Council
1306 Edgar Avenue
(r) 263-4241, (c) 860-7779

First Ward

Allen B. Coffman
112 Pennsylvania Avenue
(r) 267-2739

Second Ward

Thomas L. Newcomer
126 Highfield Lane South
(r) 267-0430

Second Ward

Janet L. Lukic
264 Woodvale Drive
(r) 263-8574

Third Ward

Glenn K. Manns
Finance Chairman
332 Suelinn Drive
(r) 263-8866

Third Ward

Elaine M. Swartz
326 Cosell Drive
(r) 267-2120

Fourth Ward

Sharon A. Bigler
Assistant Finance Chair
359 High Street
(r) 263-5524

Fourth Ward

Peggy Shank
357 Glen Street
(r) 264-1147

Fifth Ward

Robert A. Wareham, Sr.
Council Vice President
953 East. McKinley St.
(r) 263-8915

Fifth Ward

Heath E. Talhelm
840 Brandon Drive (r) 263-1108

Public Works, Recreation Projects Advance

Public Works and Recreation projects made significant contributions to our quality of life in 2010.

Renovations to the Municipal Pool were completed over the winter and spring and the pool opened on schedule for the summer season. The first phase in the construction of the Mill Creek Park was completed. This park serves the growing community in the South End of Chambersburg and will continue to be improved in the future. A public works project that was critical to the development of the Mill Creek Park was the construction of a storm water pipe from Eisenhower Drive to Hollywell Avenue. This pipe replaces an open swale and not only improves the esthetics of this growing neighborhood, but enhances the park and provides better storm water control.

Street Improvements

The Borough also completed extensive street improvements in the North End, rebuilding portions of Edgar, Hudson, Horst and Ohio

Avenues. Through the winter, utility work continued on Wilson Avenue so that the project can be completed in 2011. Our program of repairing and upgrading utilities prior to doing street projects continues to pay dividends.

Hopefully, Penn DOT will finally complete several of its projects in the Borough, including the overlay of Second Street and Philadelphia Avenue. This project remains contingent on the completion of the I-81 improvements. It would be self-defeating to resurface these roads while they are still carrying a significant volume of over-size loads because of lane restrictions on I-81.

The demolition and reconstruction of the Wayne Avenue Bridge over the High Line is also in the Penn DOT forecast. Hopefully more lead-time and better planning will help to alleviate some of the problems that will result from the disruption of this critical traffic artery.

Despite receiving significant state grants for the reconstruction of intersections at Coldbrook

Avenue at Lincoln Way East and Walker Road at Norland Avenue, and a separate grant for the extension of the Cumberland Valley Rail Trail, none of these projects were completed during 2010.

The Coldbrook/Lincoln Way project will promote better traffic flow through the intersection, improve storm water management and provide better access to Chambersburg Hospital.

The Walker Road/Norland project will provide a northbound by-pass lane, eliminating a bottleneck and provide improved signalization. These improvements will also facilitate economic development in the area, both in the Borough and in Greene Township. We are looking forward to seeing progress in Greene Township on their plan to extend Parkwood Drive to Grand Point Road. This has the potential to greatly reduce congestion on Norland Avenue, west of Fifth Avenue.

Bill McLaughlin

Public Works Plans and Accomplishments

2010 Accomplishments

Reconstruction of Streets

Ohio Avenue (Edgar Avenue to Route 11)
Hudson Avenue (Alexander Ave. to Edgar Ave.)
Horst Avenue (Alexander Ave. to Edgar Ave.)
Edgar Avenue (Hudson Ave. to Roland Ave.)

Overlay of Streets

North Fourth St. (East King St. To Falling Spring)
East King St. (Hospital eastward to terminus)
Nelson St. (Hospital eastward to terminus)
Duncan Avenue (Hospital to terminus)
Carlton Ave. (Scotland Ave. to Alexander Ave.)
Edgar Avenue (Hudson Ave. to Norland Ave.)
North Coldbrook Avenue
Elder Street (Hood Street to terminus)
Liberty Street (Third St. to Fourth St.)
Ramsey Avenue (Edgar Ave. to Wilson Ave.)

Overlay of Alleys

Alison Ct., Browning Ct., Seaton Ct., Daphne Ct.

2011 Projects

Overlay of Streets

	Estimated Cost
Wilson Avenue (entire length)	\$150,000
William Penn Drive (entire length)	\$ 40,000
Meadow Lane (entire length)	\$ 20,000
Woodlawn Drive & Woodlawn Circle (entire lengths)	\$ 30,000
East Commerce (Broad St. To Philadelphia Ave.)	\$ 30,000
Center Street (Reservoir St. To Rife St.)	\$ 45,000
Lortz Avenue (Cleveland Ave. To CASHS)	\$ 60,500

Overlay of Alleys

Draper Court (Burkhart Ave. to Loudon St.)	\$ 10,000
Saratoga Court (Belvedere Ct. to Newport Ct.)	\$ 5,000
Beaver Court (Broad St. to Hollinger Alley)	\$ 5,000
Hollinger Alley (Beaver Ct. To Broad St.)	\$ 7,000
Horseshoe Court (entire length)	\$ 9,000
Manilla Court (Draper Ct. To Conner St.)	\$ 5,000
Estimated Total for 2011 Projects	\$416,500

NOTE: In 2010, Penn DOT undertook Route 30 improvements, including Lincoln Way East and Loudon Street.

Electric Department Rebounds Some From Tough 2009

Of the 35 municipal electric systems in Pennsylvania, Chambersburg is the only one with generation capabilities. Chambersburg's ability to generate up to 30 MW has been a significant factor in mitigating the cost of deregulated wholesale power.

However, the recession had a devastating impact on the Electric Department's financial position as well as its customers. Beginning in 2009, the department saw the revenue from generation and our other mitigation tools - such as the transmission rights owned by the Borough - lose significant value. In fact, in 2009 the value of our mitigation tools dropped 90%. This left only enough revenue to pay for the cost of operating the generators. It did not help to soften the blow of the increased cost of buying electricity for our customers. 2009 was a tough year for the Borough. 2010 was much better.

Although the value of the mitigating tools have only half returned to their notable highs in 2007, Town Council made a historic decision to accept staff's estimation that our performance would continue to improve over the next two years. So Council recalculated downward the Power Supply Adjustment. Town Council believed that through this action they would provide much needed relief to our customers, residents and businesses who were also suffering the effects of the economic downturn. The cost to our customers dropped twice in 2010. In addition to an increase in revenue in 2010, the Electric Department had historic reductions in operating expenses. Although the system is far from "out of the woods" 2010 was



The Borough's Orchard Park Electric Generating Plant

Electric Department Earns Recognition

The Borough's Electric Department in 2010 was awarded certification as a Reliable Public Power Provider (RP3) by the American Public Power Association. The award recognizes Chambersburg as one of the most reliable

power systems in the country. Nationwide, electric utilities average over 240 minutes of outage per year per customer while Chambersburg averages around 10 minutes of outage per customer.



certainly an improvement over a dismal 2009.

And therein lies the benefits of community owned and operated utilities. Unlike private power companies, public power utilities are public service institutions and do not serve stockholders.

It is a cooperative effort. Together, in a deregulated electricity marketplace, Chambersburg aggregates the electricity needs of all its customers - residential, commercial and industrial; then we buy electricity on everyone's behalf; the community even owns

the poles, pipes and wires used to deliver it to everyone.

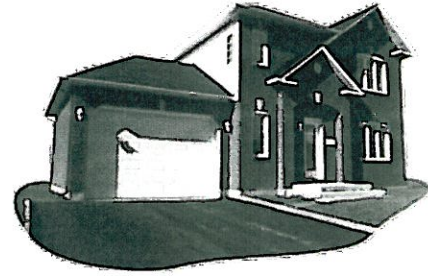
And the Electric Fund is not supported by tax dollars. It is supported, as are other Enterprise Funds, by revenues generated by charges to its users.

Finally, each year the Electric Fund transfers funds to the General Fund to support administrative and local government operations; a payment in lieu of taxes. In addition, our personnel work on traffic signal and street light projects which benefit the entire community.



Following the Money

Deed transfer tax			
2004	2005	2006	2007
535,193	718,074	674,435	816,051
2008	2009	2010	Est. 2011
540,465	272,005	255,899	240,000



The Borough's General Fund, the main governmental fund of the Borough, obtains its revenue from a variety of sources. Chambersburg's tax yield has dropped for three consecutive years, 2008-2010, and it is estimated that 2011 will be similar if not slightly worse than 2010. With the exception of the real estate tax, these taxes are established by state law and cannot be adjusted higher.

The revenue sources for the General fund are:

Real estate tax – The tax yields from the real estate tax are generally flat. The value of existing real estate has dropped somewhat in the Borough in the last three years but there has been enough construction to balance whatever reductions occurred. The valuation of real estate, set by Franklin County, is likely to be reduced further in 2011. The current real estate tax rate of 20 mills is estimated to yield \$3.6 million in 2011.

To illustrate the cost of operations, the Borough's Police Department (a significant portion of the General Fund expenses) is estimated to cost \$4,348,725 in 2011. The Police Department alone will cost \$748,725 more to operate than all the real estate tax money collected by the Borough. None of the other General Fund functions such as fire, ambulance, highways, recreation and so forth, are funded by the real estate tax. In fact, Chambersburg actually

levies, in essence, a POLICE TAX. If police expenses continue to increase, a real estate tax to cover police operations will become necessary in 2012.

Deed transfer tax – This tax is collected when property is sold or transferred. As real estate sales have dropped precipitously, this tax yield has dropped as well. In fact most of the revenue reduction in the General Fund has occurred as a result of lost Deed Transfer Tax collections.

Earned income tax – This tax is collected on all income earned by residents of the Borough. It is clear that our citizens are earning less money in direct proportion to the community's unemployment rate. For comparison, in 2008 the Borough yielded \$1.79 million from this tax. In 2011 it is estimated that it will yield \$1.65 million or a drop of about 8%.

Local services tax - This tax is the Borough's workers tax which collects \$1 per week (\$52 per year) from each person who works in Chambersburg regardless of where they live. Of that amount \$5 is shared with the school district. In 2007, this tax, then known as the occupation tax, yielded \$1,165,990; in 2011 it is estimated to yield only \$860,000, a drop of over 35%.

Jeffrey Stonehill

Earned Income Tax							
2004	2005	2006	2007	2008	2009	2010	Est. 2011
1,085,130	1,1428,776	1,582,009	1,728,188	1,787,688	1,313,267	1,501,053	1,650,000
Community Unemployment Rate							
2004	2005	2006	2007	2008	2009	2010	Est. 2011
3.70%	3.40%	3.30 %	3.30%	4.30%	7.90%	9.20%	8.40%

Condensed Financial Statements



Founding Fathers
Memorial Statue at
Chambers Fort Park.

REVENUES:

	2010 ACTUAL	2010 PERCENT	2011 BUDGET	2011 PERCENT
Taxes: Property, Wage, Deed Transfer, & Emergency & Municipal	6,199,429	5.09%	6,535,000	5.27%
Police Fines & Costs	148,795	0.12%	141,550	0.11%
Recreation Department - Pool & Park Receipts	414,300	0.34%	387,500	0.31%
Federal, State & Other Reimbursements	4,511,812	3.71%	3,911,000	3.15%
Licenses, Permits, Ambulance, & Other Receipts	342,704	0.28%	1,699,350	1.37%
Enterprise Funds	56,607,659	46.52%	55,080,550	44.38%
Internal Service Funds	5,436,170	4.47%	5,717,250	4.61%
Payroll, Employees' Pensions & Other Trust Funds	13,276,135	10.91%	14,274,250	11.50%
Surplus Operating Funds from preceding Fiscal Year	16,370,508	13.45%	19,673,047	15.85%
Surplus Special and Reserve Funds from preceding Fiscal Year	18,379,160	15.10%	16,680,424	13.44%

TOTAL RECEIPTS AND CASH BALANCES

Inter-Fund Transfers	121,686,672	100%	124,099,921	100%
	<u>5,605,631</u>		<u>5,795,100</u>	

*TOTAL RECEIPTS, CASH BALANCES AND INTERFUND TRANSFERS *

	<u>127,292,303</u>		<u>129,895,021</u>	
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APPROPRIATIONS:

Fire, Ambulance, & Police	7,431,621	6.11%	7,545,775	6.08%
Highway, Traffic & Lighting	3,103,058	2.55%	1,647,650	1.33%
Public Recreation	1,794,231	1.47%	1,516,600	1.22%
Miscellaneous Services	733,766	0.60%	0	0.00%
General Administration	1,100,507	0.90%	922,950	0.74%
Community Development	826,987	0.68%	3,122,250	2.52%
Enterprise Funds	52,135,302	42.84%	57,072,950	45.99%
Internal Service Funds	4,796,643	3.94%	5,241,100	4.22%
Payroll, Employee Pensions & Other Trust Funds	13,411,086	11.02%	14,305,000	11.53%
Surplus to next Fiscal Year's Operating Funds	19,673,047	16.17%	18,005,872	14.51%
Surplus to next Fiscal Year's Special & Reserve Funds	16,680,424	13.71%	14,719,774	11.86%

TOTAL EXPENDITURES AND CASH BALANCE

Inter-Fund Transfers	121,686,672	100%	124,099,921	100%
	<u>5,605,631</u>		<u>5,795,100</u>	

* TOTAL EXPENDITURES, CASH BALANCES AND INTERFUND TRANSFERS *

	<u>127,292,303</u>		<u>129,895,021</u>	
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Borough of Chambersburg
100 South Second Street
Chambersburg, PA 17201-0909

PRSRT STD
U.S. POSTAGE PAID
CARLISLE, PA
PERMIT NO. 641

Borough of Chambersburg Officers and Officials

Jeffrey Stonehill
Borough Manager
(b) 261-3245

David C. Finch
Assistant Borough Manager
(b) 261-3200

Jamia L. Wright
Borough Secretary
(b) 261-3254

Jody L. Mayer
Assistant Borough Secretary
(b) 261-3201

G. Bryan Salzmann
Borough Solicitor
(b) 263-2121

Welton J. Fischer
Assistant Borough Solicitor
(b) 264-8020

Suzanne Miller-Trinh
Assistant Borough Solicitor
(b) 263-8447

Ron Pezon
Electric Superintendent
(b) 261-3250

Jeff Heverly
Assistant to the Electric Superintendent
(b) 261-3250 (c) 814-591-0539

John Leary
Gas Superintendent
(b) 261-3234

John Mason
Assistant Gas Superintendent
(b) 263-6385 (c) 729-2171



Borough Hall

Lance Anderson
Acting Water and Sewer Superintendent
(b) 709-2285

Robert L. Wagner
Borough Engineer/Public Works Director
(b) 261-3228

William FitzGerald
Emergency Services Chief
(b) 261-3230 (c) 729-7413

William F. Dubbs, Jr.
Asst. Emergency Services Chief/Fire Code
Enforcement Officer, Emergency Management
Coordinator, (b) 261-3230

David J. Arnold
Police Chief
(b) 264-4131 (c) 729-1164

Guy Shaul
Recreation Superintendent
(b) 261-3275

Julie Redding
Assistant Recreation Superintendent
(b) 261-3275

Phil Wolgemuth
Planning/Zoning/CDBG Administer
(b) 261-3232

William Lockbaum
Property Maintenance Code Officer
(b) 261-3262

Casimir L. Rzomp, Jr.
Borough Treasurer/Finance Director
(b) 261-3248

Nancy Foster
Assistant Borough Treasurer
(b) 261-3244

James C. Clapper
Wage Tax Collector
(b) 263-5141

William H. "Buzz" Shank III
Borough Tax Collector
(b) 263-6565

A. Elwood Sord
Asst. to the Water Superintendent
(b) 261-3233 (c) 729-2179

(b) = business (c) = cell